REMARKS

The Office Action dated August 26, 2004 has been reviewed and carefully considered. Claims 1 - 33 are pending in this application. All the claims were rejected. By this amendment, claims 1, 3, 22 have been amended. Reconsideration of the above identified application, as amended, and in view of the following remarks, is respectfully requested.

Claims 1, 3, 14, 20, 22 and 24 stand rejected on the grounds that they are directed to abstract ideas, without producing a useful, concrete, and feasible result required under 35 U.S.C. §101. This rejection is respectfully traversed. The present claims are directed to business methods, which are patentable pursuant to the decision in *State Street Bank & Trust v. Signature Financial Group, Inc. 149 F. 3d 1369, 1373* (Fed. Cir. 1998) (holding that "transformation of data representing discrete dollar amounts, by a machine through a series of mathematical calculations into a final share price ... produces 'a useful, concrete and tangible result.'"); MPEP §2106 IV B2 (statutory subject matter). The present claims define a method for transforming data representing market prices into an index. The method employs a series of mathematical computations, carried out in a stepwise format. The index obtained through use of this method is a practical application of mathematical and computerized algorithm because the index may be stored in electronic or tangible form, used in financial analysis, and even replicated on the market exchange with real portfolio trades.

The Examiner rejected claims 1-33 on the grounds that these claims are obvious under 35 U.S.C.§103(a) in view of U.S. Patent 5,784,696 to Melnikoff and U.S. Patent 5,126,936 to Champion. This rejection is respectfully traversed because these references alone or in combination do not suggest the invention defined in the present claims. The present claims call for generating an index of returns that are available to investors participating in those markets or combination of markets to which the method is applied. The claimed method is particularly useful in providing a performance benchmark for commercial markets, such as futures markets for commodities or currencies, in which short positions as well as long positions has a positive expected return. The claimed method uses historical market data that are available in real time on actively traded

exchanges. (As the claims indicate, during each holding period, the position for the next holding period is determined based on the computations involving current and historical market data.) Thus, the indexes can be replicated for direct investment by investors.

In contrast to the method described in the present claims, which generates a benchmark index of investment returns from market data for all holding periods, Melnikoff and Champion disclose systems for selecting investment portfolios based on the preferences of particular investors, including their risk preferences, and for assessing risk and return on these individual investor accounts. Their methods thus can be applied only to holding periods for which investors express their preferences. (See Melnikoff col. 6, lines 4-13 and Champion col. 3, lines 7-11.) Melnikoff describes a method and system for analyzing historical market data for an individual investor's investment portfolio to calculate an average risk-adjusted return, which then is compared with the user-defined risk criteria. See Abstract ("selecting an investment portfolio [and computing the] risk-adjusted return [such that] the risk-adjusted return of the portfolio satisfies criteria derived from preference data specific to an investor"); and col. 5, line 54 – col. 6, line 3 ("permit[ing] an individual investor to apply easily a personal loss-to-gain aversion weight in calculating risk-adjusted return, ... accommodat[ing] custom-tailored analyses for individuals prescribing alternative target rates of return, [and] optimizing the degree of indicated fidelity of the chosen funds to the investor's expressed preferences in terms of risk and risk-adjusted return"). Champion discloses a system to manage an account for trading in a financial market while maintaining a user-specified level of risk. See Abstract ("implement[ing] a goal-directed financial asset management system"); Col. 3, lines 9-49 ("receiv[ing] investor requests in terms of asset selection [and] risk assessment ...and in response thereto, make selected [investments] so that the net position of the participating investor accounts reflect the net level of risk desired by the investors"). Neither of these references alone or combined discloses nor suggests the presently claimed step of computing an index of investment return in all asset classes or in combination of these asset classes.

On the contrary, both Melnikoff and Champion employ existing market indexes in their inventions.

Melnikoff uses both publicly available indexes and mutual funds in calculating and assessing the risk of investor portfolios. See col. 5, lines 25-37 ("methods ... that are based on ... preestablished standard of return"); col. 11, lines 5-56 ("mutual fund value data ... and target rate value data ... are readily available from a number of public sources."). Similarly, Champion uses market indexes in matching investor portfolios to their preferences and in computing risk and return. See col. 4, lines 10-21 (defining risk relative to "the general market for that asset"; col. 8, lines 22-52 ("Applying the recent index (IDX) to determine gain or loss); col. 10, lines 50-57 ("the trade order ... shown at ... the current market price of the S & P 500 index."). The methods of computation in both of these references depend on the use of existing market indices, which is exactly the opposite the method in the present claims, which generates market indexes.

Moreover, in the present claims, position is determined by a rule that is applied to a historical market data such as market prices for the asset for a predetermined period. In contrast, in Champion, position is determined based on the investors' input of a market multiple that indicates a level of risk relative to some standard such as the S&P 500 index. Col. 4, lines 31-37. And as the Examiner noted, Melnikoff does not disclose determining position at all. Therefore, the references alone or together fail to disclose or suggest the steps of generating a rule to determine a position based on market data (not user-input) or determining the position for each asset according the to rule.

In addition to the fundamental differences discussed above, the present claims also include specific features that are not disclosed or suggested in the references. For example, claims 9, 16, 25 and 31 include calculation of a continuous future series using futures contracts for the assets. The references do not use or suggest the use of this computation in analyzing risk. Claims 14, 24, and 30 include determining a trend in the asset value, which the references do not disclose.

Although the applicant contends that the original claims are patentable over Melinkoff and Champion, applicant nevertheless amends claims 1, 3, and 22 to further define the invention. No new matter is introduced with this amendment. In view of the above remarks and amendment, applicant believes the pending application is in condition for allowance.

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Respectfully submitted,

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